

I want to thank everyone for being here. I will read a brief statement from the board and then open up public comment. We would like to limit this first public comment time to general statements and leave the second public comment time later in the agenda to be only for boundary comments. Board policy 204.82 limits public comment to 30 minutes unless more time is authorized by the Board. We would like to extend the first public comment time to 45 minutes tonight.

I am reading this statement on behalf of the Board. I wrote it and each member received it earlier today and had the opportunity to provide me with feedback. What I will read has been vetted and approved by all Board members. This statement and the supporting documentation will be made available on the district website tomorrow.

I want to start by defining the role of the school board in financial oversight. With so many in attendance tonight, I feel this is a good opportunity to help people better understand our fiduciary role. The Board sets expectations of required financial practices through **policy**, with additional procedures identified in regulation. These define the boundaries of reasonableness and prudence to guide employee decisions. The board approves the annual **budget**, which sets the parameters to guide prioritization of resources – this includes tax rates, financial health and funding allocation. The board **reviews monthly financial statements** regarding implementation of the budget. This is the ongoing oversight. The board reviews **bills and payments** to ensure the bills are for reasonable, necessary and appropriate expenditures. The board **engages an independent CPA auditing firm** to conduct an annual audit of finances and internal controls. This year's audit report will be presented later in this meeting.

Before I get to the state audit report itself, I would like to provide some background to the decision that was made in July 2016 in regard to accusations against our COO. The current administration was not in place when this decision was made. The board members involved exclude Jerry Ripperger and Lori Lyon. As detailed in the audit report, a summary was provided to the board in a closed session. The board made the decision based on the investigation summary, advice from the Superintendent (who is no longer with the district) and in consultation with legal counsel who advised of the District's legal options.

We regret that our decision over two years ago has eroded confidence and trust in the district Administration and the board. We didn't ask enough questions and we placed too much confidence in a few people, who are no longer employed by the district.

On Friday, the COO was placed on paid administrative leave. That decision was made at the Administrative level. The board will become involved in this new situation when it is brought to us by the administration.

As a public governing body, we are in a unique role of being accountable to taxpayers yet bound by parameters of the law which limit what we can say or disclose. We understand the frustration when the public does not feel like they have the "full story." We want to be able to clear up misunderstandings and misinformation but in some cases, we are not allowed to respond right away or in some cases, at all due to confidentiality provisions and other privacy laws. Any matter involving personnel performance is a confidential record.

In the audit report, the auditor's office has subjectively called out expenditures that it deems as "improper disbursements and disbursements which were not in the best interest of taxpayers" over a

4.5 year period (table 2, page 8). I would like to address a few of those that we find are misattributed by the auditors.

**1) \$17,539.67 of purchases made with procurement cards**

A) \$14,954.57 for meals as identified on page 23 with certain pcards.

The board has reviewed the charges for all of the restaurant charges mentioned on pages 22-23 of the report and found that other than Perkins, the charges highlighted were not to be considered questionable. Many of these charges are reimbursed by funds from outside sources (students, parents, booster clubs, childcare fees or PTO funds). The remainder are for such things as student activities, meals during in-service training, staff holiday meals and +2017 which is where the Perkins charges came from. All board committees no longer meet over a meal and all meet in the board room of the district office. Many would ask why a meal was necessary and my only response is that it wasn't. This would be the only procurement card meal expense we would agree could fall subjectively under the "disbursements not in the best interest of taxpayers."

Because of the confusion between the restaurant costs on pages 22-23, we will be asking the state auditor's office for detailed evidence of how they came up with these amounts.

B) \$2,095.46 for miscellaneous purchases

The CFO could not find documentation of each of these purchases before the meeting tonight but for those found, there's not enough information to claim they are not questionable.

C) \$489.44 in Des Moines lodging

These are expenses for speakers that were brought in for specific school events or staff training.

Simply looking at the monthly pcard statements doesn't provide enough information to determine the reason for the expenditure. We are working on revising the monthly pcard statements to provide more detail. Our business office staff reviews every pcard statement and receipt. Per diems are tightly monitored and the policies regarding acceptable travel compensation (policies 803.9 and 803.9R) are reviewed with staff frequently, the latest review being last week. The pcard manual was updated in 2018. It is reviewed with card holders annually or more often if necessary.

**2) \$27,903.01 for lounge chairs and furniture purchased for the Superintendent's office**

After examining the invoices for this, this furniture expense was a portion of the remodel cost for the entire district office remodel that occurred in 2016. During this remodel, a large part of the office that had been used for storage was redesigned to be a collaborative and innovative work space area for a minimum of 25 people. New furniture was purchased for the offices of all administrative staff, not just the Superintendent.

**3) \$83,234.08 spent on retreats for the District's administrators**

The board was aware of these retreats and we saw the value in them. It was a chance for our administrators, both from the district office and each building, to get away and do focused learning, strategic planning and team bonding. These retreats no longer occur out of state. And this year's retreat was completely financed by the administrative leaders. We still see these retreats as a valuable way for our administrators to improve both personally and professionally so we will not discontinue this practice, but will have more oversight over the types and amounts of expenditures.

#### 4) **\$1,382.08 in timecard errors**

Five instances were found totaling this amount over two fiscal years. In those two years, the district's total gross wages were \$108,335,421. While errors should be avoided, five instances totaling \$1,382.08 is .00124% of the gross wages total for that time period.

Overall, the auditors identified \$130,244.98 of subjective improper disbursements and disbursements which were deemed by the auditor's office to be not in the best interest of taxpayers in a period of 4.5 years. Even if you take the full amount, \$130,244.98 is .00019% of the entire district expenditures for that same time period.

The auditors questioned the amount of time our CPA firm spends on our annual audits. They indicate the firm averages only 122 hours on our audits, compared to 400-459 hours for districts our size based on data collected by the auditor's office. Our business office was previously staffed by Tim Bloom, a former auditor, who took great care to prepare our audit materials. He knew what auditors needed and provided that to help reduce the amount of hours we would be charged by the CPA firm. The CPA firm has been used by other metro area school districts. The firm follows accepted general auditing procedures.

We are bringing this information to light to help educate anyone reading the state audit report that there is detail missing in many of the claims. Auditors did not request this detail that would have proven these as legitimate expenses.

There has been public discourse that the money spent for some of the costs identified in the report as "questionable" should have been money used in the classroom. School finance can be complicated. For that reason, we have copies of a diagram available that explains the funds that make up our annual budget, how those funds are financed and most importantly, how those funds can be used. Hopefully this diagram will explain that money used to purchase office furniture came from the PPEL fund which cannot be used to pay staff salaries.

There are a few statements in the report that I would like to be sure are highlighted.

- 1) On page 9, the report states, "We did not identify the improper use or undeposited collection of District funds during our examination of these transactions."
- 2) On page 18, regarding vacation payouts, the report states, "While we did not review all vacation payouts, we did not identify any vacation payouts that did not comply with District policy."
- 3) On page 19, in response to a claim of "excessive drinking" on administrative retreats, the report states, "From our review of supporting documentation and interviews with District personnel, we did not identify any alcohol consumed during the team building activities and alcohol was not paid for by the District."
- 4) On page 24, regarding contract bidding, the report states, "For the projects tested, the District was in compliance with the District's purchasing policy and bidding requirements established by Chapter 26 of the *Code of Iowa*."

When the finance committee, the Superintendent, the CFO and the Communications Director met with the auditors for an audit review on Nov. 1, 2018, a board member asked the Deputy Auditor of State how this audit and its findings stand in severity when compared with other audits of school districts. Her response was "very low."

However, we realize any time our finances are cast in a negative light, we need to examine our policies and procedures. We need to make sure the “public purpose” lens is used to guide all financial decisions. The way decisions were made in the past will not dictate what we will do in the future with protocols, procedures and personnel.

We hear the public’s concerns and we take these findings, even those we question, seriously. We are committed to making improvements in the areas outlined in the report’s “Recommended Control Procedures.” We have put together a dashboard document that indicates progress on changes/adoption of policies or procedures in relation to each recommendation. This is a document that will be available online and continually updated. We will also begin reviewing the progress in our “Spotlight on Finance” portion of our board meeting agendas.

A lot of criticism has been directed at our current Superintendent. She was promoted to Superintendent effective Feb. 1, 2017 so the time period of this audit report only covers 11 months of her time as Superintendent. Historically, the board has given our Superintendent one review annually. Beginning in 2019, we will implement a more frequent review of the Superintendent’s performance in relation to the Iowa Standards for School Administrators, as well as the goals the Board has given. This more frequent dialogue with the full board and the Superintendent will build a stronger relationship between both parties.

It is our hope that we as a board will continue to increase our transparency, improve our communication and rebuild confidence and trust in our efforts to govern the district. It is our hope that our administrators will continue to be empowered to hire and retain the best staff to provide a world class education to our amazing students. We will grow from this and our hope is that growth will foster healing of our district and confidence from our community.